

A Consumer's Guide To Automobile Insurance

**North Dakota
Insurance Department**

*Serving the People of
North Dakota since 1889*

Commissioner
Jim Poolman

2002





INSURANCE DEPARTMENT STATE OF NORTH DAKOTA

Dear Fellow North Dakotan:



I am pleased to provide you with the 2002 Consumer's Guide to Automobile Insurance.

North Dakotans enjoy some of the lowest auto insurance rates in the country, but shopping for the right policy and understanding how it works can still be confusing. We have created this consumer guide using the most frequently asked questions to our consumer hotline, and we hope it will help you gain a better understanding of automobile insurance.

As your state Insurance Department, we are here to help. We hope this guide will be a valuable resource to you; whether you are shopping for a new policy, reviewing your current policy, or just have an auto insurance related question.

If you have additional questions, please feel free to contact us on our toll-free consumer hotline, 1.800.247.0560 or visit us on the internet "www.state.nd.us/ndins."

Sincerely,

A handwritten signature in black ink that reads "Jim Poolman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jim Poolman

*Commissioner of Insurance
North Dakota Insurance Department*

If you need to contact the North Dakota Insurance Department you may call, e-mail or write, at:

Direct Number: 701-328-2440

Hotline: 1-800-247-0560

E-mail: insurance@state.nd.us

Address: 600 East Boulevard - Dept. 401
Bismarck, ND 58505

Table of Contents

The Insurance Contract 1

Mandated Coverages 3

Optional Coverages 6

Rating 7

Claims 13

Consumer Tips 21

Glossary of Insurance Terms 23

Mission

It is the mission of the North Dakota Insurance Department to protect the public good by fairly and effectively administering the laws of North Dakota. We are committed to vigorous consumer protection efforts while fostering a strong, competitive marketplace that provides consumers with choices and access to high-quality insurance products and services at competitive prices. In pursuit of our mission, we will treat all of our constituencies with the highest ethical standards and respect they deserve.

THE INSURANCE CONTRACT

What is Auto Insurance?

Insurance is a contractual agreement between an insurance company and an insured. In exchange for premium, the insurance company promises to provide financial protection for certain things.

What is the “Policy”?

The insurance contract is called a “policy” and includes three distinct parts. First, the “Declaration Page” that lists what coverages are in effect and the dollar amount of coverage. Second, the “Text” of the contract that tells you who and what is covered and not covered. Third, the “Endorsements” section of the contract that changes, limits or modifies the text.

Who does the contract cover?

The personal auto policy provides coverage to the named insured, spouse and other relatives residing at home as well as anyone to whom the named insured has given permission to operate the vehicle.

Can a company cancel my contract?

Once an auto policy has been in force for sixty days, the insurance company may only cancel the policy for the following reasons:

- Nonpayment of premium.
- If the license or registration of the named insured or any other operator has been suspended, rescinded, canceled or revoked during the period.
- Fraud or material misrepresentation by the insured in applying for the policy, or in presenting a claim under the policy.
- The insured motor vehicle is mechanically defective.
- The named insured moves to a state where the insurer is not licensed to do business.

- Failure to pay membership dues or fees to an association, If membership in the association is a prerequisite to obtaining the insurance coverage.

The notice of cancellation must be given at least 20 days prior to the effective date of the cancellation with the exception of the nonpayment of premium which requires a 10 day notice. Notice must be sent to the insured's last known address.

What is the difference between a cancellation and a non-renewal?

A cancellation happens in the middle of the policy period. A non-renewal takes place at the anniversary or renewal date of the contract. Unlike cancellation, a company may non-renew a contract based upon underwriting criteria. Underwriting criteria are those specific requirements written into the company's program. Claims frequency and driving record are examples of underwriting criteria used by companies when deciding whether to renew or non-renew a policy. Both cancellation and non-renewal result in termination of the contract.

What if I don't pay my premium by the due date?

Property and casualty policies, including auto policies, do not have a required "grace period" that allows for late payment of premium. The premium must be in the hands of the company on the date identified on the billing. If the premium is not received by that date, the policy automatically terminates. Some companies voluntarily allow grace periods without a lapse in coverage. There are some companies, however, that do not permit a grace period, in which case they might not reinstate the policy even if you later pay your premium.

MANDATED COVERAGES

Do I have to buy auto insurance?

North Dakota state law requires that all motor vehicles registered and operated in the state carry certain minimum insurance coverages.

What coverages are required by the state?

The coverages and minimum limits mandated by law are:

- ***Bodily Injury Liability:*** \$25,000 per person (the maximum amount payable to one person)/ \$50,000 per accident (the maximum amount payable to all people injured in one accident). Bodily injury liability provides coverage for claims brought against you for bodily injury caused to another person through the operation of your vehicle.
- ***Property Damage Liability:*** \$25,000 per accident. Property damage liability provides coverage for claims brought against you for damage caused to someone else's property through the operation of your vehicle.
- ***Uninsured Motorist Coverage:*** \$25,000 per person/ \$50,000 per accident. Uninsured motorist provides you coverage for a bodily injury claim you would have against another driver who does not have insurance. This coverage does not pay for physical damage to your vehicle.
- ***Underinsured Motorist Coverage:*** Underinsured motorist coverage must be equal to the uninsured motorist coverage. Underinsured motorist provides you coverage for a bodily injury claim you would have against another driver whose liability coverage is less than your underinsured coverage.
- ***Basic No-Fault:*** \$30,000 per person. Basic no-fault provides you coverage for economic loss (such as medical expenses and work loss) as a result of an accidental injury in your auto—without regard to fault. No-fault is also known as Personal Injury Protection or PIP.

What is the penalty for not complying with this law?

Driving without liability insurance is a class B misdemeanor and is punishable by a mandatory fine of at least \$150. Additionally, if you are involved in any accident, the state will assess 14 points against your drivers license, resulting in a suspension of your license.

Does my auto policy cover a car that I rent?

North Dakota law requires that the property damage liability coverage of your personal auto policy provide coverage in the event you cause damage to a vehicle you have rented for less than 30 days. Therefore it would not be necessary for you to purchase the coverage for physical damage offered by the car rental agency.

If I don't carry collision insurance, will either no-fault or uninsured motorist coverage pay for damage to my car if I'm struck by an uninsured driver?

No, neither no-fault nor uninsured motorist coverage provides coverage for physical damage to your vehicle.

Does my auto policy cover me if I drive into another country?

Almost all auto policies limit coverage to the United States, its territories or possessions, Puerto Rico and Canada. If you are planning to drive into Mexico, check with your agent in advance. It may be necessary for you to buy Mexican insurance.

How can I insure my classic vehicle, which I have maintained and restored as original?

Some companies may agree to insure a classic, well maintained auto on a "stated value" basis. To do this the company adds an endorsement to the policy for a stated amount of coverage based upon an appraisal of the vehicle. While the endorsement helps in establishing the value of a vehicle prior to an accident, the company still owes only the actual cash value of the vehicle at the time of loss, up to the stated value.

Can I get coverage for an antique auto?

Yes, some companies specialize in providing coverage for antique autos. A good place to start when looking for this coverage is to contact antique car clubs or associations.

Does my insurance cover me if I damage a car I am test-driving?

When you drive a vehicle you do not own, the standard auto policy will provide the same coverage for physical damage that you have on your own insured vehicle. If the owner of the vehicle has physical damage coverage, the owner's coverage is primary. Your insurance is considered secondary, providing coverage for damage only in excess of the owner's coverage.

When you drive a vehicle you do not own, the standard auto policy will provide liability coverage for bodily injury or property damage you cause to a third party. This coverage is also excess, which means if the owner of the vehicle has liability coverage for the vehicle, the owner's coverage is primary. If the owner does not carry insurance your policy becomes primary. One exception to this is when you are test-driving a vehicle from a garage/car dealer operation, then your liability is primary.

Does my insurance cover me if I borrow a car from someone when my car is in for repairs?

When you borrow a vehicle because your personal auto is broke down or in for repairs, the standard auto policy will treat it as non owned vehicle (temporary substitute) and provide the same physical damage that you have on your own insured vehicle. If the owner of the vehicle has physical damage coverage, the owner's coverage is primary. Your insurance is considered secondary, providing coverage for damage only in excess of the owner's coverage.

The liability coverage of the borrowed vehicle would be primary covering you as a permissive driver under the owner's policy. If the owner does not carry insurance your policy becomes primary. One exception to this is when you are driving a vehicle from a garage/car dealer operation then your liability is primary.

OPTIONAL COVERAGES

What coverages, other than the minimum requirements, can I buy?

Insurance companies do offer higher liability, uninsured, underinsured and no-fault benefits as an option. You can also purchase the following nonmandatory coverages:

- *Collision Coverage*: Provides coverage for physical damage to your vehicle that is caused by colliding with some other vehicle or object, or on overturning the vehicle. It pays regardless of who causes the accident.
- *Comprehensive Coverage*: Provides coverage for physical damage to your vehicle caused by items other than "collision" such as theft, fire, vandalism, hail, falling objects, or hitting an animal.
- *Towing*: Provides coverage to reimburse you for towing expenses involved in an emergency situation.
- *Death and Dismemberment*: Provides accidental death and dismemberment coverage.
- *GAP Coverage*: Provides payment to your lender for the difference between the amount of your auto loan and the actual cash value payment, if your vehicle is either stolen or a total loss.

Does the bank need to be listed on the policy?

For a financed car, generally, the borrower is required by the bank to provide adequate security in the form of insurance coverage on the property used as collateral for the loan. Your agreement with the bank/lienholder determines whether or not it is necessary to put the bank/lienholder on the policy. If you do not insure the car, the lienholder may buy special insurance and add the cost to your loan. This is called forced placed insurance. The cost of this insurance is typically higher than you would pay if you bought your own policy through a standard carrier. Also, forced placed insurance does not provide liability coverage on your behalf.

What are deductibles?

A deductible is the amount of the claim that you agree to pay or the part that is deducted from your claim check. Comprehensive and Collision coverages generally have deductibles.

RATING

What factors go into determining my automobile insurance premium?

Auto insurance premiums vary considerably depending on risk, coverages, and vehicle type. Over the years, North Dakota consistently has had one of the lowest average auto insurance premium rates out of all 50 states and the District of Columbia. Generally, premiums are based on:

- *The amounts and types of coverage you buy.* Generally, the higher the limits and the broader the coverage, the higher the premium.
- *Your driving record.* Accidents or traffic violations can result in higher premiums.
- *Your age, sex and marital status.* For example, young, single male drivers generally pay more than any other group.
- *Where you live.* The state is divided into territories for rating purposes. Generally people in metropolitan areas pay more than those in less congested areas.
- *How you use your car.* The more you drive, the more you pay.
- *The type of car you drive.* It costs more to repair some cars than others and companies charge accordingly.
- *Your credit history.* Consumers with a poor credit history (financial stability score) might be charged a higher premium than a consumer with a good credit history.

How do companies determine what rates to charge the consumer?

When you buy insurance, you receive financial protection in case you become involved in an accident. Therefore, the insurance company must charge rates that will allow them to pay losses and operating expenses (with a reasonable amount for profit). In order to do this, the company uses statistical information to calculate the expected loss cost per vehicle. The company then adds to this its operating expenses and profits to arrive at a final rate.

Do companies give any discounts?

Yes. Company discounts may include: good student discount, accident free discount, anti-theft device discount, defensive driving discount, and airbag or antilock brake discounts.

If I have an accident, will my rates go up?

Following an accident for which you were determined to be responsible companies generally add a "surcharge" to your policy premium. In most instances the surcharge will remain on your policy for a three-year period. The surcharge will not be added midterm but will be added at the next renewal. The law requires a company disclose its underwriting and rating procedures applicable to accident surcharges and loss of discounts before or at the time of issuance of a policy. Surcharges cannot be assessed as a result of a comprehensive coverage claim, when your vehicle was legally parked when the damage occurred, or when a claim has been paid on a rental vehicle coverage claim.

Can a company require me to pay a fee in addition to the rate?

Some companies may have a policy fee in addition to the rate. If you obtain your insurance by virtue of being a member of a certain organization or association the dues or fees to that organization may be a prerequisite to obtaining the auto insurance.

Why does the company include all licensed drivers in my household when rating my policy?

Motor vehicle liability insurance is mandated by law. Court cases have determined that this obligation extends to all family members in the household. This means that the insurance company would be required to provide coverage in the event of a claim. Therefore, the company rates for all potential drivers. Unfortunately, one bad driver in the household can negatively impact the rates for the rest of the family.

Why are the rates for young drivers so much higher than for adults?

Insurance rates are based upon statistics. Traditionally, less experienced drivers have shown significantly higher losses resulting in higher rates. Your premiums may not be affected when your teen gets a learner's permit, but will increase when a driver's license is obtained. Check with your agent or company to find out when the teen needs to be added to your policy.

Can an insurance company exclude a driver from my policy?

The law permits an insurance company to issue a policy with a driver exclusion. The law also allows the company to issue a policy with minimum limits of coverage for a specified driver while maintaining higher limits for all other drivers. A company is not required to exclude a driver, but may do so according to its underwriting program.

Is there anything I should be aware of before switching companies?

When you make application for insurance to a new company, by law, they have a right to underwrite your application. The company may cancel your coverage within the first 60 days if you do not meet their underwriting guidelines. Therefore, any recent change in driving records, or claims history could result in cancellation.

How can a company charge more premium than the agent quoted me?

As described earlier, there are many different factors involved in rating a policy. The agent's quote is an estimate based on information you provide. The actual premium is determined by the company after reviewing all the information including Motor Vehicle Reports and claims reports. When shopping, it is important that all questions are answered truthfully and completely, including any traffic tickets or accidents. The wrong information may result in an incorrect price quotation and/or rejection of your coverage. Remember, the actual premium may be more or less than the quoted estimate.

What is credit scoring?

Credit scoring refers to a system by which some companies use an individual's credit experiences — such as bill paying history, the number and types of accounts they have, late payments, collection actions, outstanding debts and the age of their accounts — in determining whether to sell insurance to the individual or what rate to charge the individual.

Why is a “credit score” used in rating auto insurance?

Statistical and insurance companies have done analyses comparing individuals' credit scores with insurance loss history, and have found a significant correlation between the two. This information is claimed to be predictive of future loss experience, thus making it a useful tool for companies to use in matching drivers to a proper premium level.

Do all companies have the same standards for writing an insurance policy?

No. There are three basic markets when writing automobile insurance: non-standard, standard, and preferred. They can be described as follows, starting with the most expensive:

- *Non-Standard Markets:* May include drivers with less experience, drivers with a high amount tickets or accidents, drivers with a reckless or drunk-driving history, and drivers with a poor credit score.
- *Standard Markets:* Includes the average driver who uses family-type vehicles who has a reasonably clean driving record and a good credit score.

- *Preferred Markets:* Insures low-risk drivers with clean records over the past three years and a good credit score. This market has the cheapest premiums.

Companies' underwriting requirements vary. If an insurance company declines your application, do not give up. Keep Shopping! Different companies have different requirements for accepting drivers for coverage. A company is not required by law to sell you automobile insurance if you do not meet their underwriting requirements.

What is High Risk Insurance?

Some companies specialize in writing individuals who have a history of claims, accidents, or a bad driving record. These are commonly referred to as "high risk" or non-standard companies. In addition to applying the normal rating factors, they also base the rate upon your record.

What is "Assigned Risk" Insurance?

Individuals who are unable to obtain insurance through standard carriers or through non-standard (high risk) insurance can apply to the North Dakota Automobile Insurance Plan for coverage. This organization is also known as the "Assigned Risk" plan. When you cannot get auto insurance through regular channels, your agent should be able to assist you in making application to the Assigned Risk Plan. The application is sent to the Plan manager who then assigns the application to a specific company. The company must issue a policy according to Plan rules and rates. The Plan's premiums are very expensive, therefore it is only as a last resort. Your agent can access the manual and application information at the following web site: www.aipso.com/nd/.

What is an SR-22 Financial Responsibility filing?

Certain violations such as a DUI or driving without insurance generally trigger a requirement that an individual show proof of financial responsibility (liability insurance) to the State Drivers License Division. This is called an SR-22 Financial Responsibility filing. Generally, only those companies writing non-standard (high risk) insurance provide this certification form.

Does the North Dakota Insurance Department set auto rates?

No. The North Dakota Insurance Department regulates, but does not set, auto insurance rates. If a company wants to change rates, it must file supporting data with the Department. The Department reviews that data to ensure that the rates are justified.

CLAIMS

How do I file a claim?

Depending upon whether you have bought your insurance through an agent or directly from an insurance company will determine the first step in filing a claim. If you have an agent, notify your agent as soon as possible. Your agent will take your claim information, file it with the company to start the claim process and advise you what to expect next. If you do not have an agent, the company will have a toll free claims number to call to report your claim.

If you or your passengers were injured, or you believe you may have been injured (even if slightly) call your agent or company. Under North Dakota law your auto's no-fault coverage is primary, regardless of fault.

To make a claim against another party contact the agent or company for that party to put them on notice. They will take your claim information and file it with their company to start the claim process.

What happens next, after I have filed a claim?

The type of accident will determine what steps the claims department of your company will take next.

If the claim involves personal injury to you or your passengers, you will be required to complete a claim form. A claim form requires you to provide a detailed description of the accident, the extent and type of injuries, employer information if work will be affected, the name of the treating physician, and a medical release to allow the company to receive pertinent medical evidence.

If the claim involves physical damage to your vehicle under the comprehensive or collision coverage, your agent or company may give you the opportunity to take the damaged vehicle to a preferred shop to obtain a repair estimate and fix the damage, or to meet with an adjuster to see the vehicle and prepare a damage estimate.

If the claim is against another insurance company involving bodily injury to you or physical damage to your vehicle you will be required to complete a claim form, or to make arrangements to have their adjuster meet with you to see the vehicle and prepare an estimate.

Can a company require me to have a car fixed at a specific repair shop?

No. The company may use one of three methods. The company may elect to settle your claim based upon the lowest of the estimates you have provided them, in which case you could have your vehicle repaired at the shop of your choice. However, if you have the repairs done at the shop with the higher estimate, you could be responsible for the additional costs. The second method of settlement is to have the company adjuster prepare an estimate that you may take to any shop you desire. Generally, a body shop will honor the company's estimate. The third method involves you voluntarily taking the vehicle to a shop that your company has a special agreement with, known as a preferred shop. The company has agreed to let the preferred shop prepare the estimate and complete the repairs.

What is the difference between a damage appraiser and an adjuster?

A damage appraiser is trained to evaluate the cost of repairing damage to a vehicle. An adjuster can do damage appraisals, but generally also has the authority to make claim settlement offers.

Are there a certain number of estimates a company must require?

The law does not require a certain number of estimates nor does it prohibit the company from requesting estimates. It is reasonable for a company to have you obtain two estimates of damage. Companies may vary on their needs from as few as one to as many as three.

Does the company have a right to examine a damaged vehicle?

Yes. In order to determine the extent of damage it is important that the company be permitted to see the vehicle before repairs are made.

Can I require the company to replace my vehicle?

No. The personal auto policy is not a replacement policy. The policy is based upon the actual cash value (ACV) of the automobile. ACV is the replacement cost less depreciation, which most often is the current market value at the time of loss. Therefore, the company's obligation is to repair the car or pay based upon its actual cash value not its replacement cost.

How do you determine the Actual Cash Value of a vehicle?

Actual cash value (ACV) is what your car (rust, dents and all) was worth on the open market the moment before the accident. It is NOT what you owe on the car. It is NOT what you paid for it or for its parts. The insurance company can calculate your car's ACV by using any of the following:

- The average cost of two or more comparable cars (make, model, year, condition) available in your area within the past 30 days.
- The average of two or more quotes from local dealers.
- A pricing service that has information about auto prices in the local market (NADA, Kelly Blue Book, etc.)

Many people place a sentimental value on their own vehicle. Unfortunately, this is not a consideration when determining the value of a vehicle.

What is a "Total Loss"?

By law, if the cost to repair a vehicle is more than 75% of the actual cash value of the vehicle, the vehicle is then considered to be a "total loss." The payment on a "total loss" would be the actual cash value less the deductible. Should you decide to keep your vehicle rather than turning it over to the company, the company would also deduct the salvage value of the vehicle from the actual cash value payment.

Can I choose to repair my car even if my company considers it to be totaled?

If the company has determined the vehicle is to be totaled it will make settlement in one of two ways: payment of actual cash value less deductible and take the car, or payment of actual cash value less deductible, less salvage value and you keep the car. You would be free to repair the vehicle with your payment but generally the payment would not be sufficient to cover all repairs. The company would not be obligated to pay any more.

Can I still carry full coverage on my totaled vehicle?

Most companies will let you continue to carry full coverage on your car even after a total loss settlement where you have kept the car. This is based upon the fact that there is still some residual value even without repairs and the fact you will be paying a premium. In some instances your lender may still require you to carry full coverage as well.

Can I require all new parts on my vehicle?

There currently is no specific law that addresses this issue. If a vehicle is less than two years old, it would be appropriate to replace the damaged parts with new parts. However, if the vehicle is more than two years old, it is considered reasonable for the company to use parts that are not new.

What are After-Market Parts?

After-Market Parts are vehicle replacement body parts manufactured by a company other than the original manufacturer. Companies are permitted to use these parts, as long as the quality is comparable to the manufacturer's parts.

What is the paintless dent repair method?

The paintless dent repair method is a relatively new way for skilled technicians to pop out minor hail dents. When done this way, no painting is required, thereby resulting in dramatically lower claims costs. This method does not work on major dents, older paint faded cars and certain areas of cars where the technician cannot get access to. Company adjusters will use this method where appropriate. Many repair estimates will use both paintless and conventional methods to achieve a total repair.

How does the insurance company handle prior damage when making a new claim?

The insurance policy does not cover damage that occurred prior to the effective date of your policy. Your insurance policy provides coverage based on an occurrence that takes place while the policy is in force. Therefore, each different occurrence is handled separately. For example, if your bumper was previously damaged before the accident, the company will deduct the cost of the bumper from your current claim settlement. In the event of a total loss, the insurance company will deduct any unrepaired damage left from a previous occurrence.

Can I take cash instead of repairing my car?

The policy provisions for loss settlement will dictate the basis a company will use to settle a claim. Most policies currently do not include a provision for a cash settlement. In these situations, the company is obligated to settle (pay) based upon the cost of repair. Some policies, however, may go further and allow the company to negotiate a cash settlement. If they do, it is reasonable for the company to deduct labor, overhead costs and sales tax if you are not going to repair the vehicle.

What happens if the company adjuster misses something on the repair estimate/order?

In the event the repair shop finds that the company adjuster failed to take into consideration something at the time of the estimate, the repair shop should immediately contact the adjuster. The adjuster would meet with the repair shop to determine whether or not the damage is covered. If it is covered, the company would then issue a supplementary check for this additional cost.

Why does the company make the check for repairs out to me and the body shop?

The insurance company is under contract with you through the auto policy to repair your vehicle. To assure that the repairs are done, and to avoid any future claim problems (unrepaired damage) the company makes the check out to both of you. In addition, the company generally continues to insure your vehicle.

What is a “branded title”?

If you have had an accident with your vehicle and the damage exceeds \$8000 or 40% of the total value (this does not include hail or normal wear and tear), the law requires that you report this when you sell or trade the vehicle. The vehicle title is then marked to show that it was previously damaged.

What is “Loss of Value”?

A loss of value is simply a reduction in the Actual Cash Value (ACV) of your vehicle. A loss of value may occur when you sell or trade a vehicle with a branded title. In some instances, the owner of the vehicle with a branded title may receive less for the vehicle than he or she would have had the vehicle not had a branded title, despite the fact that the vehicle has been repaired. Current state law does not require the payment by insurance companies of this loss in value if you have been paid for the cost of repairs or the vehicles actual cash value.

What are my car rental rights?

If you carry full coverage on the vehicle that is damaged, some companies will cover the cost of renting a replacement vehicle for the time that your vehicle is in the repair shop and unavailable to you. Some companies require that you have a “rental reimbursement” endorsement on your policy before they will pay. Check with your agent on how your policy would respond.

Note: most companies will not reimburse for a car rental if you have another personal vehicle available to you to use in place of the damaged vehicle and any reimbursement will be limited to rental of a similar type vehicle.

If you have a claim against a third party for damage to your car then the cost of renting a replacement vehicle while your car is unavailable to you will generally be covered by the other party if the other party is found to be liable.

Note: in these situations, it is important to inform the claims personnel handling the claim that you are renting a vehicle. This will help avoid any misunderstandings and potential gaps in coverage or payment.

What is “Comparative Fault”?

North Dakota law provides that the degree of fault or responsibility for an accident can be apportioned on a percentage basis among all the parties involved. This percentage is the amount each party contributed to causing the accident. The amount either party can recover in damages is reduced by the percentage of fault attributable to that party. However, a party cannot recover any damages if the percentage of fault he or she is assessed for the accident is as great as the combined fault of all other parties who contributed to the accident.

Comparative Fault example #1: Two drivers collide at an open intersection. It is determined that Driver #1 is 80% responsible and Driver #2 is 20% responsible. Driver #2 may recover 80% of his damages from Driver #1 but Driver #1 would receive no payment from Driver #2.

EXCEPTION: The damages recovered may not be diminished in proportion to the amount of contributing fault if the party seeking damages:

- is involved in a two-party motor vehicle accident;
- is seeking direct physical property damage of not more than \$5,000 and indirect damages (such as rental, storage, and loss of value) of not more than \$1,000; and
- is seeking damages against a party whose percentage of fault exceeds 50%.

Comparative Fault example #2: Two drivers collide in an open intersection. Driver #1 receives \$2,000 in direct property damage. Driver #2 receives \$4,000 in direct physical property damage and \$1,000 in indirect damages. It is determined that Driver #1 is 55% responsible and Driver #2 is 45% responsible. Driver #2 can recover \$5,000 from Driver #1 without a reduction for the percentage of fault attributable to Driver #2. However, Driver #1 cannot recover any damages from Driver #2.

How soon must a company settle a claim?

There is not a set time provided for the settlement of a liability or physical damage claim, as many factors must be considered when investigating an accident. It is in the best interest of the company to investigate any loss promptly so that valuable evidence is not lost or destroyed and so that incurred costs, such as storage and any loss-of-use obligations do not become excessive.

What should I do if I am having a disagreement with my company over a claim?

If you have made every attempt to work with company claims department personnel and continue to have a disagreement, you should then discuss the matter with your agent to determine if any further resolution can be made. If unsuccessful, call the North Dakota Insurance Department at 1-800-247-0560. We will determine whether we can be of assistance to you and will advise you of the available alternatives.

What is insurance fraud?

Some examples of fraud are:

- Collecting or trying to collect from an insurance company for a loss that never occurred.
- Including the right fender in a claim for an accident that only involved the left fender.
- Inflating a theft claim by exaggerating the value of the stereo in your car.
- Filing a claim for damages that you deliberately caused to your car.
- Providing false information about your driving record, address, car or other details on an insurance application.

Committing insurance fraud is a class C felony and can be sufficient grounds for a company to deny and/or cancel coverage.

Insurance fraud hurts us all. Contact the Insurance Department if you know of or suspect insurance fraud is being or has been committed.

CONSUMER TIPS

What can I do to get the lowest possible rate?

- Shop around: Since insurance rates are based upon experience, it is beneficial to shop around to determine which company is offering the best rate. Start by finding an agent or company representative that you trust.
- Consider adjusting your coverages. For example, you might elect to use a higher deductible to bring your rates down.
- Always drive defensively to prevent the possibility of having an accident and/or claim.
- Read your policy and discuss any questions you may have with your agent so you can fully understand the coverages and obligations under the policy. An auto insurance policy is a legal contract.

What should I do if I am involved in an auto accident?

- Call for medical help if needed
- Call the police and remain at the scene.
- Get the name, address, phone number, drivers license number and insurance company of any individuals involved in the accident.
- Get the names and addresses of any witnesses.
- Write down the details of the accident.
- Notify your agent or company of the accident.

What should I do if I have a complaint or question about my auto contract?

- If you still have a question after discussing your concerns with your agent and/or company, you may contact the North Dakota Insurance Department for advice. The Department's e-mail address is insurance@state.nd.us
- If you have a complaint against either the company or an agent you may e-mail a complaint to the Department from our website at www.state.nd.us/ndins.

Does the Insurance Department provide any specific information on auto rates?

The North Dakota Insurance Department publishes the results of an Auto Rate Cost Comparison Survey of the major auto insurance carriers on a annual basis. If you are interested in a copy, but unable to download it, call or write the Department. www.state.nd.us/ndins/consinfo/autorate.html/

GLOSSARY OF INSURANCE TERMS

Actual Cash Value: An amount equivalent to the replacement cost of lost or damaged property at the time of the loss, less depreciation.

Adjuster: A person who investigates and settles losses for an insurance carrier.

Agency: A firm that solicits insurance for one or more insurance carriers. It may also issue policies and adjust losses.

Agent: An insurance salesperson. A) An independent agent usually represents two or more insurers in a sales and service capacity and is paid on a commission basis. B) An exclusive agent or captive agent represents only one company, usually on a commission basis. An agent represents the insurance company, not the consumer.

Application: The request for insurance, giving information about the prospective policyholder.

Arbitration: A determination made by impartial experts of the value of property or the extent of damage. Arbitration is an alternative to litigation of matters in dispute.

Assigned Risk Plan: The North Dakota Automobile Insurance Plan is a state-supervised insurance plan available to persons who are unable to obtain such insurance coverage in the regular market. Individual policies are assigned to carriers based on the percentage of the market they share. The cost of this insurance is higher than the regular market.

Binder: A temporary insurance contract that provides proof of coverage until you receive a permanent policy. A binder is subject to payment of a premium.

Broker: An insurance salesperson who deals with agents and companies to find insurance for consumers. A broker represents the consumer, not the insurance company.

Cancellation: A termination of a policy before its normal expiration date.

Claim: A request for reimbursement for damages on an insured loss. Your claims to your company are "first-party claims." Claims made by one person against another person's company are known as "third-party claims."

Collision Coverage: Optional insurance that pays for damage to your car caused by collision with another car or object, or by rolling the car over. It's frequently required if you have a car loan.

Comparative Fault: A method of attributing fault to each party who contributed to causing an accident.

Comprehensive Physical Damage Coverage: Optional insurance that pays for damage to your auto caused by things other than collision or rolling the car over such as fire, theft, vandalism, flood or hail.

Conditions: Part of an insurance policy that states your obligations and those of your insurance company.

Declarations page: The "Dec page" is the page your company sends as part of the policy which shows the coverage limits and premiums.

Deductible: The amount you must pay from your own pocket for each claim.

Endorsement: A written or printed form attached to the policy that alters its provisions.

Exclusions: Specific situations or circumstances listed in your policy describing when coverage does not exist.

GAP insurance: Insurance coverage that pays to the lender the difference between what you owe on your auto loan and your car's actual cash value in the event of a theft or total loss.

Insured: The person and things covered by an insurance policy.

Insurer: A company which, in exchange for a fee, called a premium, agrees to pay all legitimate claims that may arise under your policy.

Lapsed policy: A policy that has terminated at renewal for non-payment of premium.

Liability: A legally enforceable financial obligation caused by negligence.

Liability Insurance: Insurance that pays when you are liable for injuries to other persons or damage to their property.

Negligence: Failure to exercise a generally acceptable level of care and caution resulting in injury or damage to a third party.

No-fault Insurance: A form of insurance available in many states under which each driver in an accident files claims for losses, such as medical expenses, with their own insurance company regardless of fault. Most states do allow the individual to sue the negligent party if the amount of damages exceeds a certain stated limit. (\$2500 in North Dakota)

Non-renewal: When an insurer terminates the contract by electing not to renew the policy at the anniversary date.

North Dakota Insurance Guaranty Fund: A fund that pays an insurer's claims when the company is insolvent. All North Dakota licensed insurance companies belong to the North Dakota Guaranty Fund.

Occurrence: An event that results in an insured loss.

Policy Period: The amount of time an insurance contract or policy provides coverage.

Premium: The amount you pay for insurance.

Proof of Loss: Documents that you give the insurer to support your request for payment of losses. The company uses the documents to determine whether and how much it will pay. Examples include: Written repair estimates and police reports.

Pro Rata Cancellation: Revocation of a policy by an insurance company that returns to the policyholder the unearned premium. There is no reduction for expenses already paid by the insurer for that time period.

Short Rate Cancellation: Cancellation by the insured of an insurance policy for which the returned unearned premium is diminished by administration costs incurred when the insurance company places the policy on its books.

Unearned Premium: The portion of the premium for the remaining time period that the policy will not be in force.

Underwriter: An individual in an insurance company who determines what insurance risks will be accepted and on what terms.

Uninsured Motorist Protection: Covers the insured and family members if injured by a hit-and-run motorist or a motorist without liability protection, if the other driver is at fault. It does not pay for physical damage to your vehicle.

Unsatisfied Judgment Fund: A special fund which, subject to several restrictions, pays individuals for bodily injury arising out of the use of a motor vehicle for their damages if the individual obtains a judgment against the responsible party and is unable to collect on that judgment.

Notes

Notes

Jim Poolman
COMMISSIONER OF INSURANCE
STATE OF NORTH DAKOTA
600 E BOULEVARD AVE DEPT 401
BISMARCK ND 58505-0320